



Palestinian soldiers in West Beirut training a SAM-7 missile on Israeli jet fighters conducting air raids on the city Saturday.



An Israeli Phantom jet falling in flames into the Bekaa Valley after it was hit by Syrian missile fire on Saturday afternoon.

Europeans Seek to Circumvent Pipeline Ban

Replacing Rotors Embargoed by Reagan Is Key Element

By Axel Krause

International Herald Tribune

ESSEN, West Germany — Inside an old, red-brick factory here where Krupp manufactured tanks until the end of World War II, a German worker Friday was putting finishing touches on a turbine that is one of five due to be delivered to the Soviet Union next month for the Siberian gas pipeline.

"This contract is very important to us, so we are proceeding with the order," said Hans Kerler, vice president of AEG-Krups, the turbine subsidiary of the AEG-Telefunken group. He said that "if only we had the rotors, we could ship the entire order to the Soviet Union on schedule."

The Essen-based subsidiary of the AEG group is one of four European companies that have been under contract to supply 125 turbines and rotors for the pipeline under licensing agreements with General Electric Co. of the United States. Their export to the Soviet Union was banned by the Reagan administration last month.

While France, Germany, Britain and Italy have said they intend to honor their contracts with the Russians despite the embargo, it is not yet clear how they would accomplish this without the rotors. Out of the 125 rotors ordered, only 23 have been delivered by GE so far.

Mr. Kerler, reflecting a common view being expressed by other German-based businessmen, bankers and senior-government officials, said that a plan he described as "a new European course" was emerging. Its aim is to circumvent the embargo, if the Reagan administration does not ease its determination to ban the pipeline's construction.

Details Still Secret

Details of the plan remain secret, but they are being explored by the French, German, British and Italian governments and the companies. Together the companies — including AEG, France's Alsthom-Atlantique, Britain's John Brown and Italy's Nuovo Pignone — have contracts with the Soviet Union to deliver equipment worth more than \$3.4 billion, some of it starting next month.

In interviews last week, officials in several European capitals indicated that the plan involves arranging for the manufacture within Europe of the embargoed pipeline equipment, primarily the rotors, which are key components in industrial turbines.

The most promising candidate for building the rotors is Alsthom-Atlantique, which is controlled by Compagnie Générale d'Électricité, nationalized by the French government earlier this year.

Alsthom, which also has long-standing relations with GE, has a 400-million-franc (\$59-million) contract to supply the Russians with 40 spare rotors, starting in October 1983. But Alsthom is under a separate contract with GE to make the rotors, at its Belfort plant in eastern France.

"Between us, we have the technology and manpower in this area. If our governments agree, we certainly could push ahead in Europe, despite all the tensions, legal actions and other headaches this would cause us with GE and the American government, and which we would rather avoid," said a senior German executive who declined to be identified.

When the French government, Tuesday, ordered Alsthom to sacrifice their contracts with the Soviet Union, it immediately raised an important question: Could the administration

rely on our good relations with GE, we do not think our supplying the others is a suitable solution, but if our government so decides, we shall comply," a senior Alsthom executive said. He added that "political considerations are clearly the dominating factors... It is up to our government to decide."

The plan would present immediate legal challenges to GE and Washington, but senior diplomats from NATO countries in Bonn said that the Europeans probably could try to make and deliver the equipment while legal challenges by Washington were fought out in the courts.

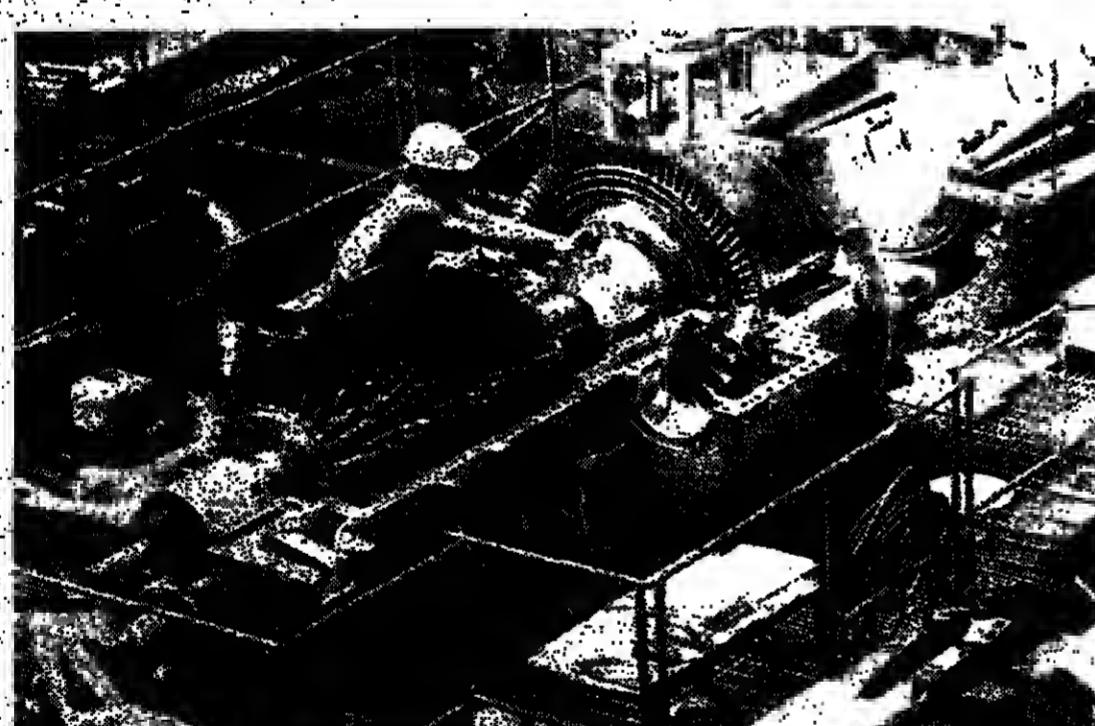
"It is not clear whether or not

the U.S. embargo is legal, so there probably will be drawn-out legal hassling anyway; meantime, the Soviets could supply the Europeans with the pipeline even though they might also face invocation of penalty clauses by the Soviets over the delays," one of the diplomats said.

"There might be delays, but clearly, if the French government decides to press Alsthom to replace GE, they will have no choice," a senior U.S. diplomatic official said Saturday, adding "there are plenty of other markets for turbines, such as those in the Middle East and Latin America."

Turbines for gas production rep-

(Continued on Page 2, Col. 1)



Limits on Trade Could Hurt West More Than Russia, U.S. Study Says

By Dan Morgan

Washington Post Service

WASHINGTON — An internal State Department study has concluded that, contrary to the view of many in the Reagan administration, a sharp reduction in exports to the Soviet Union might be more costly to Western countries than to the Russians in its initial phase.

A summary of the findings, which "suggest caution in expecting significant, immediately visible damage to the Soviet economy from trade reductions," according to the State Department's Bureau of Intelligence and Research, was cabled to 27 U.S. missions last Monday. A copy of the message was obtained by The Washington Post.

The analysis covered only trade in manufactured goods, and omitted commodities such as grain, which the Russians buy from the West in large quantities.

Questions About Claims

It acknowledges that the impact on the Kremlin of sharply reduced trade might be "somewhat understated" because of difficulties in measuring "bottlenecks" caused by a loss of certain high technology items.

However, even with those cautionary phrases, the study raises important questions: Could the administration

effectively way of impeding Soviet economic and military development.

The worldwide dissemination of the findings comes at a time when President Reagan is facing defiance from some West European governments over his efforts to block their participation in the building of the Siberian natural gas pipeline.

A total embargo of manufactured exports would cost the Soviet economy \$12.5 billion in growth over two years but would cause additional economic losses in the West, the study said.

Might Ease Pressures

"Over time," the analysis noted, "the newly industrializing countries might be able to offset much of the reduction in Western exports." The reduction might actually ease pressures on the Russians to complete the natural gas pipeline to Western Europe on schedule, because the Kremlin would need to earn less money from the sale of the gas in the West to pay for imports.

The State Department conclusions appeared in some respects to conflict with a U.S. Census Bureau analysis released earlier this month. It suggested that there was greater Soviet vulnerability to economic sanctions than has been understood up to now, mainly because of a sharp increase in Soviet

growth would be slowed by only 0.2 percent annually, or by a total of \$4.5 billion over the two years, according to the study. But that same reduction in trade would lower the gross national product of the Western exporting countries by \$30 billion, according to the State Department's analysis.

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INSIDE

■ The EEC has decided to seek a broad arrangement aimed at resolving its trade dispute with the United States over steel exports. Page 7.

■ Transplantation of new cells into the human brain has been accomplished, reportedly for the first time. Tissue from the adrenal gland of a Parkinson's disease patient in Sweden was inserted into the core of his brain in an effort to reduce his symptoms. Page 3.

■ Five hijackers seized a Chinese airliner on a domestic flight but were overpowered by crew members and passengers. Chinese and foreign sources said. One of the hijackers detonated a grenade, injuring himself and his accomplices, but all passengers were reported safe. Page 5.

■ U.S. Interior Secretary James Watt cautioned in a letter to the Israeli ambassador that U.S. support for Israel could be jeopardized if "liberals of the Jewish community" join with other U.S. liberals in opposing administration energy policies. The White House disavowed the letter as "unfortunate." Page 2.

■ The OAU begins preparations for its annual summit next week, contemplating a year past of division and ineffectiveness that threatens its survival as the credible spokesman for a continent. Page 5.

■ The White House and State Department had no immediate comment on reports of the signing. "We are studying it and have no comment at this time," said Tom Homan, a State Department spokesman. "We are checking with our embassy to find out precisely what occurred."

Rep. Levitas said in a telephone interview: "It is absolutely nothing new. It is purely a propaganda effort." He added that it was an effort to avoid the basic issue of whether the PLO will recognize Israel's right to exist.

It remained to be seen, however, whether Mr. Arafat had in fact met the U.S. conditions for starting a direct dialogue. According to a U.S. policy in effect since 1974, the PLO must recognize Israel's right to exist and accept specifically Resolutions 242 and 338, which outline a settlement of the Middle East conflict.

Whether Mr. Arafat meant to include Resolution 242 in his statement was unclear.

Various PLO leaders in the past also said that PLO acceptance of various Middle East peace proposals that spoke of Israel's right to exist were tantamount to accepting explicitly that right.

Israel, however, has insisted that the PLO must explicitly accept its right to exist and remove a section of its covenant that calls for the replacement of Israel with a secular state in Palestine.

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Rep. Levitas, who said he was not present at the signing but had seen the document, reported that it accepted "all relevant United Nations resolutions" on the Middle East.

Israelis concentrated the bombing during the day on targets south of the city center, where the estimated 6,000 PLO guerrillas have their major strongholds.

The Israeli spokesman said that in the night attack Israeli planes "struck at terrorist artillery and ammunition depots near the Shabab quarter of Beirut in a brief air raid," he said. "All our planes returned safely to base," he added.

WAFA said a guerrilla unit operating behind Israeli lines in the valley attacked an Israeli position Saturday night, destroying two vehicles and wounding at least eight Israeli soldiers.

Israeli planes destroyed Syrian surface-to-air missiles in the Bekaa Valley on Saturday and lost one Phantom jet to Syrian fire, a Israeli military spokesman announced.

He said the missiles that had been destroyed were brought from Syria during the night. They were said to be SAM-8 missiles, a more advanced model than the SAM-6 and SAM-7s the Syrians had used in the past. All of the missiles are Soviet-made.

It was the fourth consecutive plane had been shot down over Lebanon since the Israeli invasion began June 6.

Habib Serves as Paid Consultant

For Bechtel; Role Is Questioned

By Ward Sinclair

Washington Post Service

WASHINGTON — President Reagan's special envoy to the Middle East, Philip C. Habib, is a paid consultant for the Bechtel Group Inc., a construction firm that has major business interests with Arab countries.

Habib leaves Cairo after failing to persuade Egypt to accept the Palestinian guerrillas. Page 2.

lose all his credibility in the Mideast, and I think it is going to impair the effectiveness of Secretary Shultz."

Sen. Pressler added: "Shultz should take immediate steps to make public everything there is about this. There are too many people from Bechtel in this administration... Bechtel is viewed as being extremely pro-Arab. These international conglomerates have

too much power, and Bechtel is a classic example."

Although Mr. Habib has been in the news almost constantly since Mr. Reagan sent him on the first of a series of diplomatic missions to the Middle East early in 1981, his association with Bechtel has not been publicized.

Tom Flynn, a company public relations aide, said that Bechtel would not disclose the nature of Mr. Habib's work there or his salary. "But I will say that it's something you and I would consider very minimal," Mr. Flynn added.

He said Bechtel had almost no contact with Mr. Habib since he left for the Middle East in June on his latest effort to resolve the Lebanese crisis.

Concerns were heard when an

(Continued on Page 2, Col. 1)

U.S. Airlifts Weapons to Somalia To Help Repel Ethiopian Invaders

By Richard Halloran

New York Times Service

WASHINGTON — The United States has begun flying weapons and military equipment into Somalia to help that nation repel an Ethiopian incursion, the State Department has disclosed.

No details were given, but Defense Department officials said Saturday that the weapons included air-defense radar and anti-aircraft weapons.

The State Department, in confirming reports on the airlift, said military equipment was sent "in connection with the recent incursion by Ethiopians and Ethiopians-supported forces."

So far as could be determined, the weapons and equipment were drawn from a \$20-million foreign military sales credit under a security

assistance agreement negotiated when Somalia granted the United States access to military bases there in 1980.

The president of Somalia, Mohammed Siad Barre, was in Washington in March seeking an increase in military assistance. His talks with President Reagan were said to have gone well, but no new agreements were announced.

Strengthening Relations

Military assistance to Somalia has always been in dispute in Congress, with advocates pointing to that nation's strategic location on the Horn of Africa, and opponents arguing that Somalia's government is autocratic and oppressive.

A Defense Department publication says that the security assistance is related to the agreement giving the United States access to

naval and air bases in Somalia. It says that "such assistance will be limited to defensive materials and related training."

The conflict between Ethiopia and Somalia has been under way for several years, particularly over the Ethiopian-administered region known as the Ogaden, which is claimed by Somalia.

The most recent flare-up, according to news dispatches from Somalia, started earlier this month when Ethiopian troops and aircraft attacked Somalia on two fronts. Reports from the area said that about 9,000 Ethiopian soldiers were involved, supported by Soviet-built MiG fighter planes.

The Soviet Union, according to U.S. estimates, has 2,400 advisers in Ethiopia. There are also 5,900 advisers from Cuba and 550 from East Germany.

Unpublicized U.S.-Soviet Talks Fail To Produce Accord on Afghanistan

By Bernard Gwertzman

New York Times Service

WASHINGTON — The United States and the Soviet Union have just concluded an unpublicized round of talks in Moscow on the possibility of a political solution in Afghanistan, according to administration officials.

The officials said Friday that they did not have a full report on the results of the discussions but that there had seen no signs of a breakthrough that would lead to the withdrawal of the approximately 100,000 Soviet troops in Afghanistan.

According to the officials, the discussions — between an American team led by Ambassador Arthur Hartman and Soviet Foreign Minister Andrei Gromyko of the Soviet Union in New York on June 18 and 19, had stressed that relations between the two countries could not improve unless there was progress in resolving regional crises such as the continued Soviet military presence in Afghanistan and the Soviet-backed Vietnamese occupation of Cambodia.

"There is no evidence to indicate that the Soviets have changed their position on Afghanistan," Mr. Taylor said. "Indeed, the number of Soviet troops has been increased in recent months," from about 85,000 to nearly 100,000.

"Nonetheless, we'd like to know what the Soviets have to say," he said. "We also believe it is essential to make clear to the Soviets that the Afghan issue will not go away and that it remains a major impediment to improvement of Soviet-American relations."

Afghanistan was mentioned regularly in meetings that Mr. Haig held with Ambassador Anatoly Dobrynin as well as with Ambassador Hartman in Moscow. The discussions that just ended, however, were different in that they were d-

iscussions entirely to Afghanistan.

Details were sketchy because the two governments had agreed not to publicize the meetings, but when word of them became known, the State Department did confirm that they had taken place and agreed to comment about them.

"Our purpose has been to press the Soviets to withdraw their forces from Afghanistan in the context of a settlement acceptable to the Afghans and the international community," a State Department spokesman said in answer to questions.

"We will continue to use diplomatic dialogues with the Soviet Union for this purpose," said the spokesman, Rush Taylor.

"There is no evidence to indicate that the Soviets have changed their position on Afghanistan," Mr. Taylor said. "Indeed, the number of Soviet troops has been increased in recent months," from about

Moscow's Close Command of Economy Should Help It Resist U.S. Pressures

By Dusko Doder
Washington Post Service

MOSCOW — Imagine an economy roughly two-thirds that of the United States and managed by a single board of directors. The board — in this case the ruling Soviet Politburo — can by a simple vote decide to concentrate all its vast resources on any given project.

As is probably the case involving the Siberian gas pipeline, a project may be assigned very high priority. However inefficient the Soviet economy may be, whatever its structural and technological shortcomings, the concentration of resources and talent makes it virtually certain that a pipeline to export Siberian natural gas to Western Europe will be completed on schedule.

The Russians still hope President Reagan will ease his ban on sales of American pipeline technology. Yet it seems clear that Moscow's ability to concentrate its economic power is one of the major obstacles to Mr. Reagan's efforts to force the Soviet Union into a switch of resources away from the military and possibly to exert significant pressure on the whole Soviet system.

Europeans Seek Means To Avoid Pipeline Ban

(Continued from Page 1)
resent a growing, multibillion-dollar market worldwide, which is now dominated by GE. According to German industry estimates, GE has around 21 percent of the worldwide turbine market, followed by the three European partners on the pipeline project — Nuovo Pignone with 13.2 percent, AEG-Kanis with 9.7 percent, Alsthom-Atlantique with 8.2 percent and John Brown with 8.1 percent. Other companies with less than 2 percent of the market include Japan's Hitachi and Britain's Rolls Royce.

If the plan materializes, senior U.S. and German officials said that it would not only present an immediate political and legal challenge to GE and the U.S. administration, but also a longer-range

Habib's Role For Bechtel

(Continued from Page 1)

other Bechtel executive, Caspar W. Weinberger, a sometime critic of Israel, became Mr. Reagan's secretary of defense. Still another former Bechtel executive, W. Kenneth Davis, is Mr. Reagan's deputy secretary of energy.

Saudi Arabia and other Arab nations have been long-time customers of the family-owned Bechtel Group, one of the world's largest construction and engineering firms. In 1976, the Justice Department accused Bechtel of illegally cooperating with an Arab blacklisting of companies doing business with Israel. The case was settled by consent decree.

C. Anson Franklin, a presidential press assistant, said Sunday in response to queries about Mr. Habib's Bechtel connection, "We have complete confidence in Mr. Habib. He is working very hard and very able on behalf of the United States in a very difficult situation in the Middle East."

"Farfetched"
Mr. Franklin added: "An implication of any conflict between his work for the United States government and any private arrangement he may have [with Bechtel] is far-fetched."

Asked by a reporter about his Bechtel connection at the Cairo airport Sunday, Mr. Habib ignored the question.

A State Department press officer said Saturday that Mr. Habib, who rose to the department's No. 3 position, undersecretary for political affairs, and then retired in 1978 because of poor health, is being paid per diem as presidential envoy.

Mr. Habib, 62, was pressed into service as Mr. Reagan's personal emissary to the region shortly after the administration took office in January, 1981. One result of his travels last year was a cease-fire between Israel and Syria in southern Lebanon.

He continued in his special envoy role through the winter and spring, working to keep warring forces apart. In April, as Mr. Habib traveled in the area, Israeli Defense Minister Ariel Sharon complained that he was attempting to tie Israel's hands. Last month, after Israel invaded Lebanon and laid siege to the Palestine Liberation Organization's stronghold, Mr. Reagan sent Mr. Habib back.

304 More Vietnamese Sail Into Hong Kong

The Associated Press
HONG KONG — Two boats carrying 304 Vietnamese refugees sailed into Hong Kong on Sunday, a government spokesman reported. He said it was the largest group of Vietnamese to arrive here this year.

Under a bill passed earlier this month, all Vietnamese refugees arriving in Hong Kong are confined to closed camps.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.



Ecoutez la radio qui vous écoute

Another obstacle is the carefully cultivated self-sufficiency of the Soviet Union. Its economy remains largely isolated from the capitalist world. Although the \$10-billion Siberian pipeline project is the largest East-West commercial transaction in history, it accounts for only 12 percent of Moscow's planned pipeline construction through 1985. The scope of Western participation is less than 10 percent.

Resource Richness

Apart from the limited leverage, two other factors are working against Mr. Reagan's strategy.

One is that the Soviet Union has the world's richest natural and mineral resources and that the export of these resources, including gas, oil, timber and almost the full spectrum of rare metals, is in such demand as to boost East-West trade despite Mr. Reagan's embargo. In the first three months of U.S. sanctions after December's military crackdown in Poland, Soviet exports to Western nations rose 35 percent over the comparable period the previous year.

In a \$1.5-trillion command economy, the leadership does not have to reallocate resources or investments to come up with a domi-

estic turbine for the project. Moscow appears to have decided simply to shift the entire output of two Leningrad factories to the turbine production, which in practice means that machine tools scheduled for manufacture there would be assigned to other plants.

The other factor is the resistance to Mr. Reagan's policy from the Western allies, which undercut the effort to deny U.S. technology to the project.

In a flurry of often self-serving arguments,

NEWS ANALYSIS

U.S. officials have accused West Europeans of subsidizing Soviet economic development.

In turn, the Europeans have accused Mr. Reagan of hypocrisy, saying he is launching an "economic war" that would damage their sagging economies while refusing, for domestic political reasons, to use the potent weapon of a grain embargo against the Russians.

Underlying these arguments is a basic difference in approaches toward Moscow. West Europeans see the Soviet Union as a permanent fact of life and want to have normal relations with it. The Kremlin has been encour-

aging this by promising vast new commercial opportunities. The Reagan administration has viewed Moscow largely in ideological terms, contending that the evil forces of Communism would be confronted and contained.

Both sides have buttressed their arguments with conflicting assessments of the Soviet

Slower Soviet Growth

After steady growth in the postwar era, the Soviet Union has entered a period of significantly slower economic growth. Its economy is plagued by weak agriculture, low productivity, inflation and the absence of technological innovation.

The world oil crisis of 1973 is one reason. The other is rooted in various structural weaknesses, primarily the absence of incentives and the continued insistence on rigid centralized planning.

Moreover, the Russians have assumed greater commitments to their client states around the world.

It has been clear for a long time that there was no way within the Soviet system, short of drastic reforms, to reverse the chronic

shortcomings in the two most troublesome areas, agriculture and technology.

Being either unwilling or unable to make such reforms, the Kremlin leaders have decided to compensate for the system's failure by buying food and technology abroad.

A decade ago, when détente was just blooming, the Russians tried to interest the West, particularly the Americans and West Germans, in helping them. But the Americans proved too political and the Germans, at least initially, too cautious.

The dreams of a Soviet-American trade boom died after the U.S. Congress in 1974 linked trade to the issue of emigration for Soviet Jews and other minorities. However, trade with West Germany and other Western countries, including Japan, has been increasing sharply ever since.

Decline in Investments

While buying some time, the Russians have failed to arrest a steady decline in economic growth — from 5.2 percent in 1976 to 3.2 percent in 1981 — while agricultural performances over the past three years were disastrous.

Perhaps the most illuminating indicator of

an economic slowdown is a declining growth rate in investments — from 2 percent in 1976 to 1.4 percent in 1981. Western experts link this to an estimated 4-percent growth in annual military expenditures.

But the declining rate of investments also reflects the problems of a maturing economy. Latest economic indicators for the first five months of this year show the economy growing at about 3 percent per year.

Exports of mineral resources, timber and energy last year netted the Soviet Union about \$2.8 billion (the figure includes an estimated \$5 billion from arms sales).

The total amount paid for food imports was less than \$8 billion. This is the amount the Russians expect to get from exports of additional gas to Western Europe each year once the pipeline comes on stream in January, 1984.

Despite the serious problems of the Soviet economy, most analysts in Moscow believe there is no real possibility of its collapse.

They say that even an American grain embargo would not significantly alter Soviet behavior. Despite its chronic failures, Soviet agriculture produces enough food to ward off possible famine.

Watt Links U.S. Support for Israel To Jews' Support for His Policies

By Dale Russakoff
Washington Post Service

WASHINGTON — Interior Secretary James G. Watt cautioned in a letter last month to Israeli Ambassador Moshe Arens that American support for Israel could be jeopardized if "liberals of the Jewish community join with the other liberals of this nation" in opposing the Reagan administration's policies of accelerated energy development.

The Watt letter was disavowed by the White House in statements Friday and Saturday as "unfortunate" and "not the president's viewpoint."

Mr. Watt himself said Saturday that he had not intended to threaten Mr. Arens.

The interior secretary's letter warned that unless the United States reduces its reliance on foreign energy sources "there is great risk that in future years America will be prevented from being the strong protector and friend of Israel that we are and want to be."

He wrote that "the friends of Israel" should support the Reagan administration's energy policies "if they really are concerned about the future of Israel."

These policies include Mr. Watt's controversial programs to expand offshore oil drilling and coal mining on public lands. The programs have recently come under sharp attack from Democrats, environmentalists and officials of several affected states.

"If the liberals of the Jewish community join with the other liberals of this nation to oppose these efforts, they will weaken our ability to be a good friend of Israel," Mr. Watt wrote in a June 17 letter. "Your supporters in America need to know these facts."

The letter triggered an angry reaction from Jewish leaders in the United States, who variously said

it was "inappropriate" and

Hours after Mr. Watt's explana-

"deeply offensive" to appeal for American Jewish support through a foreign ambassador.

They said they also resented the implication that American Jews should take positions on the Reagan administration's domestic policies because of concern for Israel.

The assistant White House press secretary, C. Anson Franklin, said Friday: "Secretary Watt's unoffical letter to Ambassador Arens represents his own personal views. The White House regards his remarks as unfortunate."

On Saturday the White House moved to dissociate itself even further from the letter.

"The main quarrel we have with it is it does not represent administration policy. It is not the president's viewpoint," said the press secretary, Larry M. Speakes.

Mr. Watt said Saturday: "There's no threat intended. To have a threat, you have to say we'd do something if they [American Jews] didn't do something."

When Mr. Braden asked Mr. Watt on the air about the views expressed in the letter, the secretary answered, "Right on! Right on!"

WORLD BRIEFS

French Reportedly Aided Argentines

LONDON — Nine French technicians on a 12-month contract helped to install the Exocet missile launchers that French-built Argentine planes used to wreck the British destroyer Sheffield and merchant ship Atlantic Conveyor in the Falklands conflict in May, with the loss of 36 lives. The Sunday Times reported.

The paper said the French team was in Argentina "after the French government had assured the British ... that 'any technical aid of a military nature' had ceased. The team is still there." Most of the technicians are from Dassault, which makes the jet from which the missiles were launched, and one is from Aérospatiale, which makes the Exocet. said Isabel Hilton, a Sunday Times reporter.

Miss Hilton said she got the story by the team leader, a Dassault technician. The team's contract started last November, she said. The French ministry said Sunday that it would investigate whether instructions to halt military aid to Argentina during the conflict were respected.

Russia Claims New Submarine System

MOSCOW — The Soviet Union has developed a strategic submarine missile system that guarantees the ability to retaliate if the country is attacked, Adm. Sergei Gorshkov said Sunday in a Navy Day article in Pravda.

Adm. Gorshkov, who has headed the Soviet fleet for 26 years, said the United States, "having created an underwater threat to others," has called forth a similar threat to itself. He did not describe the new system in detail but said it was similar to the U.S. force, which he said includes 40 submarines armed with 656 missiles carrying more than 1,500 warheads.

"In response to the development by the United States of a strategic submarine missile system directed above all at the Soviet Union, a similar system has been developed by us," he said. "This confronts any aggressor with the inevitability of retaliation."

Yugoslavs Reveal Rioters' Sentences

BELGRADE — Courts have sentenced 530 persons on charges of counterrevolutionary activity in the last 12 months for their part in nationalist riots by ethnic Albanians, the news agency Tanjug reported Sunday.

The agency described those sentenced as organizers of clandestine groups that had tried to break up Yugoslavia's multinational structure and annex the southern province of Kosovo and other regions populated by ethnic Albanians to neighboring Albania.

Ethnic Albanians have been jailed for up to 15 years for taking part in riots in Kosovo in April of last year.

Spanish Socialists Demand Election

MADRID — Spain's opposition Socialist Party called Sunday for an early general election and said it would oppose any attempt to appoint a caretaker government without a poll.

It said the government was crippled by divisions and defections within its party in parliament. Elections are due next April. Two new political parties, the Popular Democratic Party and the Liberal Democratic Party, founded by dissidents from the ruling party, held their first meetings over the weekend. The Popular Democrats called for an alliance with rightists to block the way to the Socialists, seen in opinion polls as favorites for the next election.

Amid speculation about a possible government reshuffle, King Juan Carlos received Premier Leopoldo Calvo Sotelo and ruling party president Adolfo Suárez separately over the weekend.

Verdict Due on Seychelles Hijacking

PIETERMARITZBURG, South Africa — Judgment will be handed down on Tuesday in the case of Col. Michael Hoare and 42 other white mercenaries charged with hijacking an airliner to South Africa after an attempted coup in the Seychelles.

The men, South African residents of various nationalities, face maximum prison sentences of 30 years if convicted. They are charged with unlawfully seizing control of an Air India Boeing 707 when it landed at Mahé airport on the Seychelles' main island of Victoria during a gunfight last Nov. 26 and ordering it flown to Durban.

During the trial, Col. Hoare, 63, alleged that the South African government had known of the coup attempt, which the government has denied. Earlier this month, four other mercenaries captured by Seychelles forces on Mahé were sentenced to death for their part in the attempted coup. A fifth, who had turned state witness, was sentenced to 20 years in prison.

New Indian President Inaugurated

NEW DELHI — Zail Singh became India's seventh president Sunday and delivered an inauguration speech urging his citizens to show greater discipline and rededicate themselves to uplifting the weak and hungry.

Mr. Singh, 66, was inaugurated at a glittering ceremony in Rashtrapati Bhavan, the 350-room palace built for the British viceroy who ruled India until 1947. He was chosen for the presidency by the ruling Congress-I Party and its leader, Prime Minister Indira Gandhi, who sat in the front row during the inauguration.



Despite Invasion, Lebanon Begins Process of Choosing a President

By Jonathan C. Randal
Washington Post Service

BEIRUT — Despite the Israeli occupation of a third of its territory, Lebanon has formally opened a campaign for the election of a new president.

The law also requires that two-thirds of the members of parliament must be present to begin the election process. Mr. Gemayel's supporters contend that he already has 60 votes, but observers are skeptical.

Even if he gets the quorum, it is not certain that he could win even the simple majority required for election on all but the first ballot. Victory on that vote would require a two-thirds majority.

Also worrying the Lebanese is the strong possibility that the "grand electors" — as the influential foreign powers are called in recognition of their traditional role in choosing presidents — will complicate the process.

Lebanese law specifies that the parliament will have 99 members. Although seven members have died, the turmoil in Lebanon has prevented the holding of by-elections since 1975.

Thereafter the constitution provides that the departing president may entrust his duties to the government.

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Also worrying the Lebanese is the strong possibility that the "grand electors" — as the influential foreign powers are called in recognition of their traditional role in choosing presidents — will complicate the process.

Lebanese law specifies that the parliament will have 99 members. Although seven members have died, the turmoil in Lebanon has prevented the holding of by-elections since 1975.

Suspense High at State as Shultz Picks Aides

By Bernard Gwertzman
New York Times Service

WASHINGTON — George P. Shultz' first week as secretary of state has ended in suspense for most of the top officials at the State Department. The officials are not only uncertain about many key policies, but, more to the point, they are also uncertain about their own futures.

As a result, conversations at the department these days often begin with "What have you heard?" And more often than not, the answer is "Not much." Rumors that various assistant secretaries of state are facing the axe are swirling through the building.

In the short time that he has been at the State Department, Mr. Shultz has displayed two characteristics. One is a fondness for chewing over policy questions and looking for answers that go beyond tactical day-to-day considerations. The other is a stress on the importance of personnel. As a veteran of the Washington scene as well as a specialist in labor and management, Mr. Shultz recognizes

the importance of having the right people on the job.

After he was in office one day, he asked Walter J. Stoeszel Jr., deputy secretary of state, to retire a few months ahead of time to make way for Kenneth W. Dan, Mr. Shultz' longtime collaborator, in the No. 2 State Department job. Everyone at State knew that Mr. Stoeszel, one of only three career ambassadors in the Foreign Service, would be leaving by the end of the year, but the swiftness of the move took the department by surprise and seemed bit brutal to some of Mr. Stoeszel's admirers. It had the effect of increasing speculation that many changes would soon follow.

Those officials most closely associated with former Secretary of State Alexander M. Haig Jr. seem the most in jeopardy because Mr. Haig combined his resignation with criticism of the way the White House managed foreign policy. And while the White House cannot retaliate against Mr. Haig, it can always punish his former aides.

Within days of Mr. Haig's departure, some reporters were in-

formally asked by a highly placed administration official for their advice on a new spokesman "in case Shultz wants one." Dean E. Fischer, the State Department's spokesman and one of Mr. Haig's closest aides, subsequently told Mr. Shultz that he intended to return to private life, and Mr. Shultz made no effort to change his mind. Mr. Fischer, a former editor for Time magazine, is staying on until his replacement is found.

One result of Mr. Shultz' coming to the State Department has been the elevation of Henry A. Kissinger to a kind of supreme outside adviser. Mr. Shultz has known him for years, dating back to the Nixon years.

Mr. Kissinger is to be Mr. Shultz' spokesman in Palo Alto, Calif. on Sunday night, having spent the weekend at Bohemian Grove, the private retreat north of San Francisco, where they will have mingled with giants of business and industry, as well as Chancellors Helmut Schmidt of West Germany and Prime Minister Lee Kuan Yew of Singa-

position in the area. Iran and Iraq are by far the two most populous countries on the Gulf, and the smaller monarchies historically have sought to preserve a balance of power between them.

Sunday to attack neighboring Gulf states if they did not stop aiding the Baghdad government.

The Iranian leader, in a statement broadcast by Tehran radio and monitored here, said: "I warn these governments not to cause problems for the sake of their own future . . . I have repeatedly advised them to stop helping Saddam [Hussein] because we do not want to fight them."

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For the moment, therefore, the apparent bogging down of the Iranian offensive has allowed the Gulf states to bide their time and hope that both sides will tire of fighting and reach a balance-prevention settlement.

If Iran routs the Iraqi Army, however, the Gulf states would feel much less comfortable, the sources say. The Iranians conceivably would be in a position to march on either Kuwait or Saudi Arabia.

A U.S. official said chances of that were remote, especially given the failure of the Iranian invaders so far to penetrate very deeply. If Iran did threaten to invade, the official said, the Gulf states would look first for support from fellow Arab nations, but the United States might also be asked to provide support for its friends' air defenses.

The warning came as Crown Prince Abdullah of Saudi Arabia left Baghdad for Damascus following talks with the Iraqi president on the Gulf war.

Political sources said Prince Abdulla was seeking to convince Syria, which supported Iran when Iraqi troops were on its territory, to condemn the Iranian invasion of Iraq.

Spanish Military Denies Check to Officer in Jail

Reuters

MADRID — Spanish military authorities have prevented Lt. Col. Antonio Tejero Molina from receiving a check for 18 million pesetas (\$163,000) in prison, the rightist newspaper El Alcazar reported Sunday.

The money was raised among readers of the newspaper to help Col. Tejero pay one million pesetas for damage caused when he stormed parliament last year. Authorities said he needed an authorization from the military court that sentenced him to 30 years in jail for military rebellion. He has said he would donate the money to victims of urban guerrillas.

Khomeini Renews Threats

BEIRUT (UPI) — Ayatollah Ruhollah Khomeini, responding to reported Saudi efforts to lobby support for Iraq, repeated threats

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George P. Shultz

East. At the moment, with Philip C. Habib deeply involved in the Lebanon crisis, there is no thought of naming anyone else. But with all signs indicating that the Middle East will be increasingly important, the odds seem to favor Mr. Shultz' asking someone of stature to take it on. Mr. Kissinger would be a logical choice, but reporters are being told that there are no plans to call on him at this time.

Gulf War Prompts Arab Leaders To New Caution Toward Tehran

By Robert J. McCartney
Washington Post Service

WASHINGTON — Iran's invasion of Iraq has touched off a fresh scare among the conservative Arab rulers of the Gulf oil states and encouraged them to seek to placate Tehran.

Led by Saudi Arabia, those pro-Western states are showing new caution in backing Iraq while continuing to hope privately that the Iraqis crush Iran's invasion and halt the spread of its Islamic revolution, according to Arab diplomats and U.S. officials here.

The wariness of these nations, the key U.S. friends in the Gulf, also led them to move away quickly from American offers to hold joint military maneuvers to demonstrate their resolve to Iran.

"If Iran is going to emerge as the biggest power in the Gulf, then the Saudis don't want to be on its bad side," said William Quandt, a Middle East specialist and former staff member of the U.S. National Security Council.

No Open Condemnation

Since Iranian troops pushed into southeastern Iraq on July 13, Saudi Arabia and other conservative states have avoided condemning the invasion. In a message Friday, King Fahd of Saudi Arabia called for peace between Iran and Iraq but did not mention Iran's thrust across the border.

This silence is noteworthy because the Gulf states have backed Iraq through most of the war both with statements of support and financial aid of up to \$20 billion.

They all go back to their usual words Monday.

"If political leaders could do this more often," said a member of Mr. Shultz' party, "there probably would be fewer wars."

Shultz and Schmidt Engage in Hot Tub 'Philosophizing'

By Barry Siegel
Los Angeles Times Service

of Secret Service men and communications officers.

Mr. Schmidt is not the only world leader invited to join this intimate group. Former Secretary of State Henry A. Kissinger joined them Thursday night (though it is not known whether he went for a dip in the tub), and Prime Minister Lee Kuan Yew of Singapore was invited for part of the weekend.

Four OM Friends

None of the meetings is being described as a formal appointment or state visit. Sources say the four men are just old friends, getting together to relax and reflect.

Mr. Schmidt, who spends many of his vacations on private visits to the United States, made his travel plans four months ago, when he thought he would be visiting the president of Bechtel Group Inc., not the secretary of state.

It is the informality that most attracted Mr. Schmidt, according to a source. The other main attraction for both men is the university environment and the chance for broad intellectual exchange.

When Mr. Shultz resigned as secretary of the Treasury in 1974 to become president of Bechtel, he chose to live at Stanford, where he taught an evening seminar once a week to graduate business students, although it meant an hour's commute to his San Francisco office.

A source in Mr. Shultz' party agrees. "Shultz and Schmidt both have academic backgrounds in economics," he said. "They are intelligent working from the same insight into life. They just get a tremendous delight in talking together."

After dinner and the hot tub at home Wednesday night, the two went their separate ways Thursday.

Mr. Schmidt met with newspaper editors, Mayor Dianne Feinstein of San Francisco, Gov. Edmund G. Brown Jr. and a group of University of California history professors. Mr. Shultz worked with his aides at the Palo Alto hotel where his support cast of 15 to 20 is staying.

They met again and were joined by Mr. Kissinger that night in San Francisco at the annual dinner meeting of the Bay Area Council.

Mr. Kissinger went to join Mr. Lee at Shultz' house Sunday night for what sounded like a classic California backyard gathering.

Weekend Retreat

On Friday, the three and A.W. Clausen, the World Bank president, left for the exclusive men-only Bohemian Club at a 240-acre campsite in the redwoods along the Russian River, north of San Francisco.

Mr. Shultz, Mr. Schmidt and

Army Threatens U.S. Law Schools Over Their Stand on Homosexuals

By Ruth Marcus
Washington Post Service

WASHINGTON — In a high-stakes showdown over the U.S. Army's refusal to recruit homosexuals, its top military lawyer has threatened to recommend withholding millions of dollars in military contracts from universities with law schools but Army recruits.

Gen. Clausen's letter was obtained by The National Law Journal, which is publishing a report on homosexual lawyers Monday.

In addition to withdrawing the contracts, Gen. Clausen threatened not to let Army officers train at the universities and to have Reserve Officers' Training Corps units removed from the schools.

Policies Unchanged

None of the six law schools has changed its discrimination policies in response to Gen. Clausen's letter, but officials at several schools said that their faculties were reviewing the letter to determine whether they should make a special exception for the Army.

The placement director at New York University, Michael Magness, said that law school faculties had adopted the policy against employers who discriminate against homosexuals "on a moral principle."

Homosexuality "has nothing to do with ability to be a crackjack lawyer," he said. "What someone does at home at night between the sheets, that's their business."

Mr. Magness, whose university received \$1.1 million in military contracts last year, said, "I've never known a military lawyer to go into the trenches."

Gen. Clausen also said that the Army would not recruit law students from the schools that bar it from on-campus activity.

"Frankly, this is not a real serious issue for this school," Mr. Magness said, noting that only two of its students had become military lawyers in recent years.

James W. Zirkle, Yale's dean of placement, called the letter "slight."

Soviet Workers Join Scandinavians For Disarmament March in Moscow

United Press International

MOSCOW — About 1,000 demonstrators from Scandinavia, the Soviet Union and other countries marched up one of the main streets of Moscow on Saturday to call for an end to nuclear weapons.

"We want to influence the leaders on the top level to work together to stop the arms race," said Aava Nordlund of Oslo, a Norwegian organizer of the women's march for peace. Led by a line of women in pink gowns, the marchers carried banners reading "No to Nuclear War."

Weicker to Face Party Primary for U.S. Senate Seat

New York Times Service

HARTFORD, Conn. — The Republican state convention Saturday endorsed Sen. Lowell P. Weicker Jr. for a third term and Lewis B. Rome for governor, but gave their challengers more than enough votes to force state primary races next July.

The Swedish group, including Lars Olsen and Ake Seiger in the department of histology at the Karolinska Institute as well as Olof Backlund, a neurosurgeon. They are not expected to perform another operation until the first patient has been observed at least six months. Several candidates, however, are said to be awaiting treatment.

Researchers have considered the brain to be a "privileged site" for transplants because it does not reject transplanted tissue as do other parts of the body. If the treatment for Parkinson's disease proves successful, it may lead the way for transplants to treat other disorders, such as Huntington's chorea, and brain damage, such as that caused by a stroke.

The search for new ways to treat Parkinsonism has been under way in Stockholm and at the National

of President Reagan's proposals and

the National Institutes of Health.

On Saturday, the National Institutes of Health

and the National Institute of Neurological Disorders and Stroke

and the National Institute of Child Health and Human Development

and the National Institute of Allergy and Infectious Diseases

and the National Institute of Arthritis, Musculoskeletal and Skin Diseases

and the National Institute of Child Health and Human Development

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Shultz and Leadership

From THE NEW YORK TIMES

There is predictable news from Poland: Gen. Jaruzelski is not about to let Solidarity come back to life; he is consolidating his martial law regime, easing up slightly in ways that only prove his control, keeping Lech Wałęsa and the most troublesome rebels under arrest and releasing only those whom he expects to stay docile.

The pope has been disinvented and told to apply again next year, by which time martial law might reign under a different name. The general blames Ronald Reagan for the slow pace of the normalization; hostility and sanctions only prolong the rule of the gun.

There is predictable news from Paris, too: Europeans are not about to join Reagan's crusade for Polish freedom with sanctions that injure their own economies. They think delaying the Soviet gas pipe to the West is a late, feeble gesture against the Polish crackdown. They think it is bizarre and illegal for President Reagan to try to compel American companies and their European licensees to renege on legal contracts for pipeline equipment. If he is so eager to punish the Russians, the allies ask, why not put his own economy at risk by canceling grain sales?

The incredible conclusion to be drawn from all this is that a major crack in the Soviet bloc has become the occasion for nearly as big a crack in the West. The French foreign minister speaks of a "progressive divorce" between Europe and America; West Germany, Britain, and Italy nod assent. Whatever the costs of their tyranny in the East, the Russians are reaping a political bonanza in the West. They are rousing Reagan at his own game of economic cold war.

So now what, George Shultz? Although he dutifully endorsed President Reagan's approach in public, the secretary of state, an economist, knows what a muddle the president has made of Soviet policy. His sound

private advice will doubtless run like this: The objective of the United States in Poland, as in the Soviet Union, cannot be to topple Communist power, it has to be coexistence, with norms of conduct that can be defined by agreement and reinforced with economic incentives. In that spirit, the arms race can be contained. The use of force abroad may be discouraged. The nature of Communist government can, to some extent, be made more humane. Only on such a platform will the allies be persuaded to hang together.

Economic pressure can help if skilfully deployed. The Russians will pay any price to defend vital interests; but they will modulate their action, even in Poland, out of respect for Western reaction. However, these pressures will backfire unless applied in unison.

It is right to oppose easy Western credit and trade terms that subsidize the Soviet military, the invasion of Afghanistan, the suppression in Poland. But the allies, like Kansas farmers, do not thus deal with adversaries out of altruism. They hunger for markets and will deny themselves only for well-defined, shrewdly led political efforts.

Poland proves that cheap and unwise loans are foolish gifts, risking bankruptcy at home as well as in Warsaw. The easy credit poured into the pipeline is further proof that bankers and private industries cannot coordinate trade with diplomacy. Credit is the one commodity that capitalist governments should control directly and parcel out for political objectives. But for that they must take charge of their bankers, agree on objectives and arrange to share sacrifice fairly.

The paradox of cold war sanctions is that they are useless without sincere negotiation, first among the allies, then with Moscow. It is too late to resuscitate Poland's Solidarity or to stop the pipeline. It is never too late to temper anger with reason.

El Salvador Needs Aid

From THE WASHINGTON POST

Two wars ago, before the Falklands and Lebanon, El Salvador was at the hot center of American foreign policy debate. The political calendar is reviving the issue: It's aid time. President Reagan must certify by the end of July that El Salvador is making progress on human rights and reforms, and Congress must then decide on amounts and terms.

Let us go to the particular issue, land reform, that events have made a fair surrogate for other issues of concern. When last heard from, land reform was being done in the assembly elected in March. An aroused Congress was threatening to cut aid. And now?

It helps to ask why the new Salvadoran assembly started hacking at phase three of a reform whose first phase (taking over big farms) remains intact and whose second phase (medium farms) was stillborn under the previous Duarte government for lack of funds. Phase three was to give "land to the tillers" — pieces of land under 17 acres to renters and sharecroppers. The Duarte government, however, finding a huge hitch, discreetly suspended "Decree 207." Farmers would not work for wages, waiting to rent so they could take title, and owners would not rent, knowing they would lose title, and as a result production plummeted.

The new post-election president, the pro-reform Alvaro Magaña, thought to slip this production noose by formally suspending 207

for one crop cycle on land for cotton and sugar, which are export crops. The anti-reform assembly, however, mischievously added cattle and cereal land. Seeing reform falter, Congress took the aid knife in hand.

What Congress missed is the sequel: Salvadorans reacted strongly, some in anger, some in relief, to the aid threat. Both the law and administrative procedure were clarified and titles are again being distributed, although performance is erratic. The basic point remains that the reform is now accepted and newly protected not just by the executive branch, which was put in place by the pro-reform army leadership, but also by the same assembly that had earlier impeded progress.

There is too much blood in El Salvador, and too much backwardness. There are good people in and around the government, and some weak and corrupt people. Anyone hunting for evidence on which to flunk El Salvador can easily find it.

It seems to us vital, however, to try to understand how hard it is for a poor, underdeveloped country racked by war and revolution to demonstrate to the satisfaction of other countries that it is modernizing with sufficient speed. Success cannot be guaranteed for the effort by the United States to nourish democracy and reform in El Salvador. Failure can. All you need to do to guarantee failure is pull the plug on aid.

Other Editorial Opinion

Moscow Must Be Laughing

It is far from unreasonable to argue that the main thing holding Poland back from civil war and the rolling in of the Soviet tanks is the hope of gradual economic and political improvement. So, has Jaruzelski shown that he deserves encouragement for his success in keeping Moscow quiet? At this point the answer is probably a reluctant yes.

What Jaruzelski has not done, though, is to give President Reagan a face-saving reason to reverse his pipeline veto. Indeed, it looks as though the Americans are more determined than ever to make sure Europe gets nothing out of that deal — a decision that has less and less to do with superpower confrontation and more and more to do with the growing intra-alliance trade war. Moscow must be laughing, and even Warsaw smiling wryly.

— The Sunday Times (London).

Limited European Solidarity

Having so long deplored their lack of unity, their powerlessness to organize or even just to adopt joint positions, Europeans can take cheer today from the opportunity to assert their solidarity that the crises opposing them to the United States provide. Whether in the steel affair or on the issue of the Siberian pipeline, words of solidarity are not lacking. However, it would be a mistake to overestimate

— *Le Monde (Paris)*.

JULY 26: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Japan Controls Korea

1932: Gorgulov's 'Political War'

SEOUL — The governments of Japan and Korea, by Marquis Ito and the premier, Yi Wan Yong, have consummated a new treaty under which Japan is given complete control of the administration of Korean affairs. The premier's authorization to sign was duly sealed by the new emperor. Japan is given practically the same power over the internal affairs, the difference being that while in Korean foreign relations Japan uses her own governmental machinery, in the internal administration the machinery of the Korean government is preserved. The new treaty formally recognizes the Residency-General.

PARIS — Pavel Gorgulov, Russian political fanatic, who shot and mortally wounded President Paul Doumer on May 6, is on trial. The verdict rests on two counts: Whether Gorgulov is guilty of voluntary murder; whether the murder was premeditated. If found guilty on both counts, he will be guillotined. In court, the burly Russian gave vent to an outburst of self-justification to convey the meaning of the "creed" for which he now "gladly laid down" his life. "When I came in France," he said, "and saw a people living in plenty, and thought of the 5 million Russian peasants groveling out their lives, I knew that political war alone could alter the world."

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With Summit Nearing, OAU Future Is Clouded By Split Over Polisario

By Alan Cowell
New York Times Service

NAIROBI — The Organization of African Unity begins preparations for its annual summit this week, looking back on a year of division and ineffectiveness that threatens its survival as the credible spokesman for a continent.

The organization is also confronted with an uncertain year ahead under the chairmanship of Libya's unpredictable Col. Muammar Qaddafi, who will assume the position during the summit, to be held in Tripoli.

African foreign ministers open their preparatory discussions in Tripoli on Tuesday, and the summit proper will begin Aug. 5. The foreign ministers had been scheduled to begin meeting Monday, but Edem Kodjo, OAU secretary-general, announced Sunday in Tripoli that that meeting had been postponed until Tuesday. He gave no reason for the postponement.

The foreign ministers will try to come up with ideas to resolve the most disastrous split in the OAU's 19-year history.

The rift opened in Addis Ababa in February, when 26 African nations decided at a foreign ministers' meeting to admit the Polisario front, representing Western Sahara, as the OAU's 51st member. The decision prompted a boycott of the gathering by 19 states under the leadership of Morocco, which administers the Western Sahara and is fighting a war against the Polisario insurgents.

Question of Sovereignty

The decision to admit Polisario raised the question of whether the Polisario guerrillas fulfilled OAU membership criteria requiring newcomers to be sovereign in their own lands.

It also prejudged the OAU's own policy toward the Western Sahara, formulated during last year's summit in Nairobi, calling for a referendum to allow the people of the region, formerly the Spanish Sahara, to decide for themselves how they want to be ruled.

The decision prompted such a fierce division in the organization that two subsequent meetings of

OAU ministers were disrupted by boycotts.

The crisis is bound to come to a head in Tripoli because the OAU's rules require a quorum of two-thirds of its membership for any meeting to be legal. Morocco and at least 11 other countries have indicated they will not attend the summit, and the Rabat authorities are leading a campaign to prevent a quorum from being formed in Tripoli. A quorum would be formed by 34 states.

Kenyan Expects Quorum

Robert Ouko, the Kenyan foreign minister, said before leaving for Tripoli that he believed the foreign ministers' preparatory meeting would form a quorum.

But if the foreign ministers then are unable to make progress toward a settlement, there is a question about whether the heads of state can.

And a failure to do so would mean at least the temporary collapse of the OAU, Western diplomats said. It would also crown a year of embarrassments for the OAU's current chairman, President Daniel Arap Moi of Kenya.

The main initiatives undertaken during Mr. Moi's leadership have been on the Western Sahara and on Chad, where the OAU deployed its first peacekeeping force. The presence of the 3,500-man army was not enough to enforce a political settlement, or to prevent rebels from overrunning the Chad capital, N'Djamena, and forcing President Goukouni Oueddei to flee.

Some Western diplomats have blamed the organization's failures this year on the ponderousness and indecisiveness of the Kenyan chairmanship. But that assessment ignores a fundamental weakness in the OAU: Like other international bodies, it lacks an effective, institutional form of censure against those of its members flouting its directives and thus has little power beyond appeals to good will, reason and African solidarity.

Agreement on Broad Issues

The OAU was created in 1963 as a symbol of an emergent continent's aspirations toward a pan-Africanism that would prove a stronger force than the colonialism its new rulers were replacing.

But the organization increasingly resembles a collection of sovereign nations whose interests coincide only on broad issues, such as abhorrence of white minority rule in South Africa.

African diplomats said the organization's credibility is in stock in jeopardy. Nigeria, in particular, has embarked on a diplomatic crusade to save the Tripoli summit, the diplomats said.

Qaddafi's Aspirations

Col. Qaddafi, too, has a big stake in the success of the Tripoli summit, for leadership of the African body. Western diplomats in Tripoli said, would fulfill his yearning for international recognition.

Tripoli was nominated as the venue for the forthcoming summit at last year's Nairobi gathering, and since then, the diplomats said, Col. Qaddafi has sought to display good faith toward Africa, notably by withdrawing his troops from Chad last December when the N'Djamena government requested the pullout.

But there are other omens. Uganda recently accused Libya of training the guerrillas who are fighting against President Milton Obote's government. Libya denied the charges.

And Libya reportedly is helping fund the Ethiopian-based Somali Democratic Salvation Front, an insurgent group opposed to President Mohammed Siad Barre of Somalia.



Rubble from flash flooding swept through Nagasaki, Japan, burying people, cars and homes.

196 Dead, 187 Missing in Japan Floods

TOKYO — Severe floods in southern Japan have killed 196 persons, police officials said Sunday, and 187 others are missing.

Workers recovered bodies that had been buried in landslides or washed away into the sea after torrential rains hit Friday and Saturday.

The area worst hit was the city of Nagasaki, where 166 persons are known to have died, the national police agency said. Telephone and land communications with the city and nearby towns remained difficult.

Almost 30,000 homes were flooded as the rain drenched the area and caused the Nakashima River to burst its banks.

Police officers were seeking more bodies in collapsed houses and used oars to recover others that had been washed out to sea.

A total of 22 inches of rain (545 millimeters) fell in 40 hours, setting off hundreds of landslides. At one stage, the rain was falling at the rate of four inches an hour.

Electricity, gas, telephone and transportation services were cut throughout the island of Kyushu, where Nagasaki is located.

Sudden, heavy rain was spreading northeast toward Tokyo.

The Nagasaki deluge occurred at the end of the summer rainy season.

A similar disaster occurred in July, 1957, when 856 persons were killed in Isahaya, which is near Nagasaki.

To the latest storm, many houses were crushed or swept in the river and bridges were destroyed or damaged. Thousands of people were evacuated.

Key Zimbabwe Air Base Attacked; Nkomo Backers Abduct 6 Tourists

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UN Seeking Personnel For Namibia Transition

By Frank J. Prial
New York Times Service

UNITED NATIONS, N.Y. — The Secretariat has issued a call for staff members interested in working with the UN Transition Assistance Group in South-West Africa (Namibia).

The U.S. State Department recently announced that a key phase in negotiations to end the guerrilla war in Namibia had been completed and that it was likely that the territory controlled by South Africa would become an independent nation sometime in 1983, after years of fighting between South Africa and the South-West Africa People's Organization.

The most recent stumbling block to a settlement has been the form that a Namibian constitution and constituent assembly would take. The State Department indicated that, after five years of arguing, South Africa and SWAPO had

narrowed the choices to either proportional representation or single-member constituencies.

Guerrilla leaders have since indicated that they will sign on to a cease-fire until they know exactly what kind of electoral system will be used in the new country. South Africa continues to insist that it will not sign a cease-fire without an agreement on the withdrawal of Cuban troops from Angola.

Nevertheless, U.S. officials are optimistic that an end to the conflict is finally in sight, and the personnel circular from the UN Secretariat would appear to support that view.

The circular, issued by Leila Doss, assistant secretary-general for personnel service, said, "A large number of professional, general, and field service staff will be required from the United Nations and member organizations."

Mrs. Doss said the primary duty of the group will be the "supervision and control of free and fair elections in Namibia" for a constituent assembly to draw up a constitution. The group, which would start work as soon as a cease-fire is called, is to have both civilian and military components operating under a special representative of the secretary-general.

UN police units would operate under the civilian component in cooperation with local police. The commander of the military force would be responsible to the special representative. The representative would have to coordinate his activities with those of the South African administrator, who, with his own staff, would remain in the territory until independence was declared.

About 60 customers, mostly tourists, were in the Pub Saint-Germain when the bomb went off, blowing out the toilets and a telephone booth. One woman was hospitalized and the other treated at the scene; neither was seriously hurt.

A caller identifying himself as a member of an Armenian group called Orly, which had also claimed a cafe bombing earlier in the week, told the news agency Agence France-Presse that Tuesday, injured 16 persons. Also Tuesday, two Paris businesse with links to Israel were bombed, causing some damage but no injuries, and a car exploded in a car.

Besides overseeing elections, the circular says, the UN group is to see that "all discriminatory laws and practices" are overturned, political prisoners released, refugees permitted to return "and intimidation of any kind from any quarter" prevented.

The circular says that all this is to occur by the time of the election, about seven months after a cease-fire.

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Yellowstone Officials Fear Effect of Oil Rigs

New York Times Service
HELENA, Mont. — Officials at Yellowstone Park are apprehensive about recent leases for oil and gas exploration that cover 25,000 acres at the park's western boundary. They fear damage to Yellowstone's wilderness and, particularly, to its grizzly bears.

The areas where the 10-year leases were sold to developers for \$1 each is the "heart of bear country," said Thomas Hobbs, the chief ranger, who is responsible for protection of the park's resources. He said biologists feared that drilling in the lease area might disrupt the bears' eating and denning habits.

A spokesman for the U.S. Forest Service, which oversees the management of oil and gas development, rejects the biologists' fears, saying that stipulations on the leases, which were sold in 1980 and 1981, will protect the natural features of Yellowstone, a park of 3,458 square miles (8,990 square kilometers).

Mr. Hobbs noted that the bears were protected under the Federal Endangered Species Act. Yellowstone Park harbors nearly 400 grizzlies of the total national population of fewer than 1,000. Only Glacier National Park in Montana and its environs have more grizzlies.

Drainage Concerns

Park officials are also concerned about the water supply. The only drainage slope outside Yellowstone that drains into the park is near the lease area, Mr. Hobbs said. If oil spilled into a creek, he said, it could pollute park fisheries and cause long-term damage.

He is also worried lest the "sight, smell and sound" of oil and gas drilling as close as half a mile to the park's boundary mar the experiences of visitors.

The leases run north from West Yellowstone, Mont., on a high plateau that is heavily forested and has occasional open meadows. This area of the Gallatin National Forest is an important range for elk and moose, as well as a habitat for grizzly bears.

No Impact Statement

Buster LaMoure, director of the minerals and geology division of the Forest Service's northern region office in Missoula, a former oil-well driller, oversaw the sale of the leases. He believes that environmental concerns have been adequately addressed.

Mr. LaMoure said an environmental assessment was prepared to decide whether an environmental

impact statement was warranted and the Forest Service decided it was not. Nonetheless, he said, the Forest Service had placed "so many restrictions on the leases that I wonder why the leases even took them."

The restrictions protecting the environment stipulated when and where those holding the leases might drill. "In order to protect the grizzly, for example," Mr. LaMoure said, "we prohibit drilling when the bear is feeding or denning."

To protect the wilderness quality of the area, he said, drilling rigs may not occupy the surface closer than half a mile from the park.

The leases were sold by the Bureau of Land Management to a number of developers and small oil companies. They cover part of the overmost belt, a geologic formation along the front range of the Rockies that has recently yielded much oil and gas, especially in Colorado, Wyoming and Alberta, Canada.

U.S. May Ease Alligator Protection As Overpopulation Creates Concern

Washington Post Service

WASHINGTON — The Interior Department is reviewing its rules for protecting alligators, now that their numbers have begun to swell.

"We're looking at the commercial aspects of the alligator world," said Larry LaRochelle, a biologist for the department's Fish and Wildlife Service. He said the agency is considering allowing the export of alligator meat and eliminating federal permits for the alligator trade in states that have adequate permit systems of their own.

Over the past few years the Interior Department gradually has relaxed its regulation of the alligator trade, an industry that was almost wiped out in the mid-1960s when the government placed the alligator under the protection of the Endangered Species Act.

At that time, conservationists feared that the popularity of alligator handbags, belts and shoes would lead to the animal's extinction.

By the mid-1970s it appeared that the protection programs had worked too well. Communities in Florida, Louisiana, Texas and South Carolina complained that there were too many alligators, and that they were showing up at golf courses, shopping malls and lawns.

The Interior Department already has removed alligators from the endangered species lists in Florida and Louisiana, and Texas has sought a similar change.

In 1980, the department allowed traders to export hides to other countries and to ship meat between states, if both states permitted the practice. Mr. LaRochelle said the policy has worked well. He said alligator farms are beginning to spring up as a way of providing a steadier supply of the animals.

Whitney Foundation Scales Back Its Operations, Considers Closure

By Kathleen Teltsch
New York Times Service

NEW YORK — The 36-year-old John Hay Whitney Foundation has radically scaled back its philanthropy since its founder's death in February, and its officials say they may eventually decide to close down.

The foundation's budget was small in comparison with the country's larger philanthropies. It made an unusually strong impact, however, in its attempts to identify potential leaders among minority groups and to provide them with the funds to continue their educations.

Frank S. Streeter, co-executor of the estate, said Mr. Whitney's will made no provision for perpetuation of the foundation. Consequently, the foundation's board of trustees, including members of the Whitney family, has been considering whether or not the New York-based philanthropy can continue operations, possibly with a new name and structure.

Mr. Whitney, a sportsman, investor and chairman of the board of the International Herald Tribune, amassed a \$250-million fortune and left the bulk of his estate to his wife, Betsy. She and two daughters, Kate Whitney and Sara Wilford, are members of the foundation's board.

Family Interest?

"There is a family interest in exploring whether or not a continuing program can be developed, but no decision is expected to be made this year," Mr. Streeter said. Meanwhile, all those receiving grants have been advised that the program is being phased out.

Among a number of options, the trustees are said to be considering a program of grants in the fields of education and journalism, both of which were areas of interest to Mr. Whitney. During the course of his career, he owned 25 small newspapers, five television and six radio stations; formed a major film company; served four years as ambassador to Britain during President Dwight D. Eisenhower's administration, and was the last publisher of the New York Herald Tribune.

He did not create an endowment for the foundation, but financed its activities with grants. In the last decade, these gifts totaled about \$1 million a year, Mr. Streeter said.

"Without the foundation's aid, the progress made by Indians since the Second World War would not have been achieved," said Prof.

Vine Deloria Jr. of the University of Arizona. "The major leadership personalities of the last two decades have been former successful Whitney scholars."

Traditionally, foundations assisting disadvantaged communities prefer to give funds to organizations with records of accomplishments. Mr. Whitney was one of the first to depart from this practice by giving grants to individuals working with the poor, according to Leeds P. Manning, executive director.

Betty Parsons, Dealer In American Art, Dies

New York Times Service

NEW YORK — Betty Parsons, 82, the adventurous New York art dealer whose midtown gallery played a major role in the development of the New York School of painting in the late 1940s and early 1950s, died of a stroke Friday in her studio in Southold, N.Y.

Mr. Parsons was one of the pioneering dealers in American art. When there was a small market and little interest in new American painting, she promoted the work of many of the artists who would establish the reputation of American art around the world.

In the 57th Street Betty Parsons Galleries, which she opened in 1946 on a borrowed \$5,000, Mrs. Parsons showed the work of Jackson Pollock, Mark Rothko, Ad Reinhardt, Barnett Newman, Bradley Tomlin, Robert Rauschenberg, Clyfford Still, Saul Steinberg and others.

Betty Parsons was born in New York in Jan. 31, 1900. In the 1920s, she went to Paris, where she attended Bourdelle's Académie de la Grande Chaumière.

After returning to the United States, she went to Santa Barbara, Calif., where she continued to paint. In the late 1930s, she moved back to New York.

Mrs. Parsons' marriage to Schuyler Livingston Parsons ended in divorce.

Amon G. Carter Jr.

DALLAS (AP) — Amon G. Carter Jr., 62, publisher of the Fort Worth Star-Telegram, died Saturday of a heart attack.

Mr. Carter was publisher and

board chairman of the newspaper founded by his father, Amon G. Carter. He was born Dec. 23, 1919, and began his newspaper career at the age of 10 as a paperboy with the Star-Telegram.

He became publisher after his father's death on June 23, 1955. He retained the publisher's post after the newspaper was sold to Capital Cities Communications Inc. in 1975. He was a director of Capital Cities at the time of his death. Mr. Carter also was a director of American Airlines and a director of the Texas Rangers baseball club.

Philip Shorin

NEW YORK (AP) — Philip Shorin, 85, a founder and chairman emeritus of Tops Chewing Gum Inc., died Saturday in Bal Harbour, Fla., the company announced. Mr. Shorin and his three brothers — Abram, Ira and Joseph — built a publicly held company with worldwide sales by marketing penny bubble gum. They also sold Tops baseball bubble gum cards and similar cards for professional football, basketball and hockey in an effort to diversify the company's product line.

Soviet Dissident Ends Fast

Reuters

MOSCOW — Mariam Bagdazova, 19, a Soviet Georgian dissident, has ended a 32-day hunger strike after winning the release of her father from prison, friends said Saturday. She had maintained that her father was victimized by authorities to put pressure on her to end her human rights activities.

Italy's Ministry of Justice said Saturday that Magistrate Domenico Sica, who headed inquiries into the Calvi case in Rome, had reached an impasse and turned his files over to Milan magistrates investigating other aspects of the Banco Ambrosiano case.

SENIOR EXECUTIVE POSITIONS

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
DIRECTORS MARKET DEVELOPMENT		Kodak Near East Inc. (cons. prod. & bus. systems prod.)	Beirut	Univ. grad, Arabic + English; know. photo principles & Mid East.	I.R.T. 15-7-42	
Customer Equip. Service Manager		Kodak Near East Inc. (cons. prod. & bus. systems prod.)	Beirut	Univ. degree Mechanical engineering, Arabic + English.	I.R.T. 15-7-42	
Proj. Directors Deputy Proj. Directors		Brake & Seal (air cond., mechanical, electrical, plumbing).	U.S. bus. overseas contract	Mechanical engineers and/or electrical engineers with experience. Leadership.	I.R.T. 15-7-42	
Proj. Managers General Management		Brake & Seal (air cond., mechanical, electrical, plumbing).	U.S. bus. overseas contract	General management experience.	I.R.T. 15-7-42	
INTERNATIONAL TAX EXECUTIVE		Large U.S. based multination.	New York + travel	Executive, esp. public accounting with international in Europe.	Box D 1225, Int'l. World Tribune, 52521 Neuilly Cedex France.	I.R.T. 15-7-42
TWO LAWYERS	\$25,000	Amnesty Int'l.	Assisted London	Int'l. law, English, esp. French + Spanish desired, Esp. and Ar.	Amnesty Int'l., 10 Shaftesbury Street, London WC2H 7HF. Tel.: 01-586 7788, Ext. 283.	I.R.T. 15-7-42
IRRIGATION EQUIPMENT MANAGER		M/S Mihalick & M/S. Alpinia Co.	Nyc	Eng. Irrigation equip. installation, English inst. Arabic assist.	M/S Mihalick & M/S. Alpinia Co., 1000 1st Ave., P.O. Box 132, Nyc, N.Y. 10019, C: 4765220, 4763855.	I.R.T. 15-7-42
SITE MANAGER		Ind. building project.	Switzerland	Eng. 10 years exp. site manag. build. proj. 35-45, location studies.	Mr. Chirico, Recruitment Manager, 600 L. Molitor, 74-76, 1998 Brussels, Belgium.	I.R.T. 15-7-42
FINANCE MANAGER		Europ. sales, international company (Int'l. prod.).	Moscow	Qualified accountants with Int'l. exp. English + German, esp. 30-40.	Mr. Ultman, Tigran & Partner, 2, Bd. Bourdon, 75-86, Avenue Marceau 46, 75-86, Paris.	I.R.T. 15-7-42
FINANCIAL CONTROLLER		Omega Schenckinger.	Int'l.	ACCA/ACMA or equiv., 3 years exp. computerized acc. environment.	The Personnel Manager, Dowell Schenckinger, Swiss House, Russell Street, London WC2B 5SA.	I.R.T. 15-7-42
EUROPEAN MARKETING MANAGER	\$122,000 + exp.	Int'l. computer manufacturer.	West of London	Manager with experience main computer market place.	SCE, Specialist Computer Recruitment Ltd, James Street, 49, London W1M 5HS, Tel: 01-581 0577/465 0461, Attn. A. Carter.	I.R.T. 15-7-42
Vice-President (Contracts Section)		Stolt-Nielsen Sasey Universitatis A/S.	Beira	Top qualified manager with Int'l. exp. oil/chemical industry. English +.	5-250 "Contracts Section", Herterveg 12, P.O. Box 58, 1324 Lyngby, Norway.	I.R.T. 15-7-42
DIRECTOR		The Lorraine Municipal Hospital.	Lorraine	Director for Int'l. Festival Lorraine adm. management.	Mr. Paul-Bernard Martin-Syndic, Hôpital de Ville, CH-1600 Lorraine, Switzerland.	I.R.T. 15-7-42
MUSIC DIRECTOR		The Scottish Ballet.	Glasgow	Professional music staff directly responsible for orchestra.	The Scottish Administrator, The Scottish Ballet, Tel: 0141 222 1450.	I.R.T. 15-7-42

INTERNATIONAL HERALD TRIBUNE, MONDAY, JULY 26, 1982

International Bond Prices — Week of July 22

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financière Crédit Suisse - First Boston

RECENT ISSUES

Am't	Security	Sh/ Conv	Issue Pr.	Mid Pr.	Yield	Mo	Mid Price	Mo	Mid Life Curr	Am't	Security	Sh/ Conv	Issue Pr.	Mid Pr.	Yield	Mo	Mid Price	Mo	Mid Life Curr
\$100	Prov Of Quebec	1/12 Nov	97.17	100.25	1.54	1/12	97.17	100.25	27.74	\$100	World Bank	1/12 Nov	98.50	102.34	1.50	1/12	98.50	102.34	10.50
\$100	Prov Of Quebec	1/12 Nov	97.15	100.25	1.54	1/12	97.15	100.25	27.74	\$100	World Bank	1/12 Nov	98.50	102.34	1.50	1/12	98.50	102.34	10.50
\$100	Prov Of Quebec	1/12 Nov	97.15	100.25	1.54	1/12	97.15	100.25	27.74	\$100	World Bank	1/12 Nov	98.50	102.34	1.50	1/12	98.50	102.34	10.50
\$100	Prov Of Quebec	1/12 Nov	97.15	100.25	1.54	1/12	97.15	100.25	27.74	\$100	World Bank	1/12 Nov	98.50	102.34	1.50	1/12	98.50	102.34	10.50
\$100	Prov Of Quebec	1/12 Nov	97.15	100.25	1.54	1/12	97.15	100.25	27.74	\$100	World Bank								

BUSINESS / FINANCE

MONDAY, JULY 26, 1982

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Steep Discounts Mark New Issues on Market

By Carl Gewirtz

International Herald Tribune

PARIS — It should have been a banner week in the Eurobond market last week. More than \$1 billion worth of new issues were launched after the Federal Reserve announced a less tight monetary policy by cutting its discount rate on Monday by half a point to 12.75 percent.

But the underlying optimism and heavy volume did nothing for bankers' profits as nearly all of the issues were quoted at steep discounts, often below the total commissions earned for underwriting the offers.

Virtually all of the issues were marketed with terms anticipating a further improvement in the market sentiment. However, even the joy that Henry Kauffman, chief econo-

Eurobond Yields		
For Week Ended July 21		
Int'l. long-term U.S.	14.75%	
Int'l. long-term U.S.	14.25%	
Int'l. medium-term U.S.	14.44%	
Can. medium-term	17.76%	
French medium-term	16.76%	
Int'l. long-term yen	8.33%	
Int'l. medium-term yen	12.67%	
U.S. long-term	12.26%	
Int'l. long-term F.L.	11.29%	
Fl's long-term	11.22%	
Calculated by the Luxembourg Stock Exchange		
Market Turnover		
For Week Ended July 22 (Billions of U.S. dollars)		
Total	5,427.7	5,698
Trade	7,348.2	6,978
Brokerage	3,942.2	3,912

Calculated by the Luxembourg Stock Exchange

Market Turnover

For Week Ended July 22

(Billions of U.S. dollars)

Total

Brokerage

Trade

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Supply-Side Exodus Is Nearly Total

Shultz Arrival Underlines Return to Traditional Policy

By Ann Crittenden
New York Times Service

WASHINGTON — The newsletter sent out this month by the Council for a Competitive Economy, a libertarian business organization in Washington, was unequivocal: "It is sadening and bodes ill that the cream of Reagan's administration is leaving or has already left," it said.

The roll call of presidential advisers who have left, the editor hinted, is a clue that the administration "is simply another disappointing detour on our road to salvation."

Though more outspoken than most, this lament is heard widely in right-wing circles in Washington, and has to do with the exodus of most, if not virtually all, of the supply-side economic theorists who rode into power with Ronald Reagan a year and a half ago.

The list does not, however, include the departure announced Thursday of Murray L. Weidenbaum, chairman of the Council of Economic Advisors.

Mr. Weidenbaum, who will return to teaching, is a garden-variety conservative. The supply-siders who left ahead of him were not.

None, in the past six months, are Martin Anderson, the president's domestic policy adviser described as Mr. Reagan's principal conservative theorist, as well as Norman B. Ture and Paul Craig Roberts, the under-secretary and assistant secretary of the Treasury, respectively, and Steven H. Hawke, a senior economist from the Council of Economic Advisors.

Unlike traditional conservatives, all were associated with an ideological commitment to stimulating

the economy through tax cuts, a goal that took precedence over concern about the deficit's size.

They also advocated, like almost everyone in the Reagan administration, shrinking the government's size.

Their departures have prompted some to think that the administration has reached an intellectual watershed, underlined by the arrival as secretary of state of George P. Shultz, former labor secretary, Treasury secretary and budget director during the Nixon administration.

Economic policy has been returned to traditional conservatives, officials who are managers and pragmatists rather than theorists.

Mr. Hanke, who has returned to a teaching post at Johns Hopkins University, said, "What you have now in the White House is the Nixon-Ford administration without Nixon or Ford."

There remains, of course, Mr. Reagan, who may be the last, ardent supply-sider left in the White House.

He fought longest and hardest to protect the integrity of the supply-siders' greatest achievement, the three-year cut in federal income taxes legislated last summer.

He has resisted repeatedly to delay the third instalment of the tax cut scheduled for 1983, clinging to the hope that, along with other tax changes introduced last year, will generate a buoyant recovery.

The top economic policymakers in the administration today, including Treasury Secretary Donald T. Regan, budget director David A. Stockman and now Mr. Shultz, are more attuned to orthodox Republican economics than to radical experiments in wiping taxes off the

face of the post-inaugural period.

The last big policy victory by a supply-sider, apparently, was in January, when the president said no new excise taxes would be imposed. Mr. Anderson, alone among the president's advisers had argued against new taxes.

He resigned shortly after that

battle, even though he won. A few weeks later, after the Senate rejected his budget proposal for the fiscal year 1983, the president bowed to political pressures and came out in favor of increased taxes.

The rationale is that unless such revenue-raising measures are adopted, budget deficits, and with them interest rates, will balloon.

Mr. Ture said, "Congress and maybe the administration just found it too difficult to cut spending further and have given up."

One victor is Mr. Stockman, who abandoned his early enthusiasm with supply-side fiscal stimulus and began arguing the case for raising new revenues last fall.

By most accounts, Mr. Stockman, after the embarrassment caused by the Atlantic article in which he voiced doubts about supply-side economics, is again a key voice in economic policy, with the president's White House staff and Mr. Regan.

The arrival of Mr. Shultz, whose experience and stature in economic policymaking dwarf that of anyone else in Washington, will add another weighty voice to the chorus of prudence.

Mr. Shultz, who has been one of the president's chief economic advisers from outside government since before the election, is said to support scheduled tax cuts enacted last year.

But colleagues say that he does not share the supply-siders' nonchalance about deficits, and would like to see, among other things, more revenue raised from energy sources.



Martin Anderson
...quit after victory

Italian Inaction Angers Eurobankers

By Carl Gewirtz
International Herald Tribune

PARIS — Temps flared last week as Eurobankers privately began threatening to boycott future loans to Italian borrowers and to cut existing lines to Italian banks unless the Italian authorities prod the domestic banking consortium seeking to save Banco Ambrosiano to extend its ministrations to Banco Ambrosiano Holdings.

Even central bankers were outraged.

"I have much understanding for the Bank of Italy when it does not give a formal guarantee for a holding company," Fritz Leutwiler, president of the Swiss National Bank, said in a telephone interview. "What I do not understand is that they said, more or less, that they couldn't care less. That goes too far."

"I'm still hoping that the Bank of Italy will come back to form a decision, perhaps when it's clear what the commitments really are, and what the assets are..."

BAH, a Luxembourg-based holding company in which Ambrosiano directly holds 70 percent, is currently in the hands of a Luxembourg court-appointed administrator. At the last tally in June 1981, BAH owed some \$540 million in medium-term debts to an array of banks believed to number more than 250. Officials believe that the figures have not changed substantially since then.

SYNDICATED LOANS

And this week, on Thursday, bankers will have a chance to discuss the situation with the administrators of the parent Milan bank at a meeting in London scheduled to start at 3 p.m. That late start is obviously designed to keep the meeting short and sweet.

What is irritating bankers is not so much the money involved — it amounts to a relatively insignificant \$2.2 million each on average — but rather the shattering of some cherished assumptions which, if not repaired, could have vast nasty repercussions on the hundreds of billions of dollars of other Euromarket loans.

The common element of these assumptions is that perceived moral obligations are as good as legal undertakings — a view that may be contributing generally to blurring bankers' assessments of creditworthiness.

One such assumption is that lending to a subsidiary, a separate legal entity, is as good as lending to a branch, an integral part of the parent bank, because the subsidiary bears the same name as the parent.

Another assumption is that "letters of comfort," which express a commitment to support or stand behind an undertaking are as good as guarantees that can stand up in a court of law.

Bankers' belief in moral obligations led them to overlook to Eastern Europe in the confident expectation that the Soviet Union would never let any of its satellites mar the financial standing of the bloc.

That myth was shattered last year, when Poland was forced to reschedule its 1981 debt. But the lesson of that experience was obviously not generalized.

Some bankers say the fury of BAH's creditors is aimed at putting maximum pressure on Italy to get the full cooperation of the Vatican in sorting out Ambrosiano's problems. The Vatican's bank, which is said to have given letters of comfort for loans at Ambrosiano's Latin American units, was associated with Michele Sindona whose Franklin National Bank in the United States and Banca Privata in Italy collapsed in the 1970s.

Others say the ferocity of the outcry is a reflection of bankers' increasing nervousness about the

sion that obviously needs to be remedied.

Because it is a holding company and not a bank, BAH did not fall under the supervisory authority of the Luxembourg Banking Commission. But the Bank of Italy's attitude to BAH has created considerable consternation among central bankers as it relates to Banco Ambrosiano Holdings.

Toftie is said to be on the verge of collapse and some bankers are complaining that the former Labor government always stood behind any company in which it had a shareholding while the current Conservative government insists it is no different from any other shareholder and will not take the brunt of Toftie's bad management.

Foreign bankers say that their decision to lend to Toftie was based on their understanding that the government would stand behind the company. Now that the government has changed, the bankers are crying foul.

They also complain that Sydvaranger has let a pelletizing operation in Emden, West Germany, go bust without honoring its completion guarantees, letters of comfort and other obligations.

Disputes such as these raise

questions about what service the growing horde of lawyers active in the Euromarket actually perform.

Continental bankers tell the story of a major U.K. bank calling a

West German bank in the midst of the Falklands dispute with Argentina and requesting its pro rata share of the loan payments Argentina had made only to be told that there was no pro rata clause in the loan agreement.

New Zealand's Wool Board, a government agency, is seeking \$100 million for five years with interest set at a quarter-point over the interbank rate for the first 42 months and 1/4 point over thereafter.

Australian Consolidated Industries will be seeking \$300 million for eight years.

Nigeria is seeking \$360.9 million to finance a railway project. The export guarantee agency of Italy is guaranteeing \$80 million of the loan and the U.K. export agency is guaranteeing \$74.8 million. The margin on the \$206.1-million Eurocredit is 1/2 point over Libor. But banks are offered a hefty 3/4 percent commission on this loan.

Detroit Edison is seeking \$60 million, offering to pay 1/4 point over Libor for the first four years and 1/4 point over in the final three years. Front-end fees range from 1/4 to 1/4 percent.

Manufacturers Hanover Trust expects to make an official loan proposal to Hungary this week. Eleven banks have agreed to underwrite \$20 million each and the four U.K. clearers have each agreed to underwrite \$10 million. The total is expected to reach \$300 million by the time the loan is actually in the market with the addition of two Japanese banks.

Portugal's postal and telephone system Correios e Telecomunicações de Portugal is expected to be in the market for up to \$100 million. Terms are expected to match those of other recent state borrowings — an eight-year maturity with interest set at 1/2 point over the interbank rate for the first six years and 1/4 over for the final two years.

Argentina, which has not yet decided whether it will seek the help of the International Monetary Fund in restructuring its finances, is approaching banks for preliminary talks on rescheduling its debt and establishing a new line of credit. Jamaica, which has restructured its debt, is currently sounding out banks for a new loan.



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BOWATER CORPORATION PLC
9 1/2% Bonds due 15th July, 1986
NOTICE IS HEREBY GIVEN to bondholders that U.S.\$1,250,000.00 nominal amount of the above issue was purchased in the market by the undersigned in the period ended 12th July, 1982 in respect of the purchase period to 15th July, 1982.
BOWATER CORPORATION PLC
Bowater House, Knightsbridge
London SW1X 7LR
July 1982

EEC Seeking New Talks on Steel

(Continued from Page 7)
would pursue an attempt to have the steel duties ruled illegal by the General Agreement on Tariffs and Trade, the international commercial system.

Under U.S. law, the European steel-producing countries could have stopped the duties from going into effect by reaching bilateral agreements with the United States before midnight Saturday.

Only Britain made a strong push for a bilateral agreement. Although all the ministers agreed to the exclusive mandate, Britain said it planned to continue efforts to reach a private solution with Washington.

West Germany's state secretary for industry, Otto Schleicht, said the exclusive mandate given to the commission was a clear political move to give it a firm basis from which to negotiate.

The commission would now work out technical details of its strategy with community experts and members of the loss-making steel industry, he said.

It would also start technical discussions with U.S. officials that would end by Aug. 6, by which time the community hoped to find a solution.

But it was not clear how differences over the U.S. market share and whether or not to include

pipes and tubes in a deal would be bridged.

Diplomats said the offer of a longer arrangement running until the end of 1985, the inclusion of special steels in any deal and limited concessions on market shares were among new elements the community was likely to use in an overall settlement.

With a shrinking steel market underlying the conflict, some industry executives believe that a deal acceptable to both Europe and the United States cannot be worked out. Kari Thölike, sales director for West German steelmaker Klöckner, has said only an economic recovery could ease the situation.

The planned U.S. import duties, due to take effect Aug. 24, would cost European steelmakers millions of dollars.

(Continued from Page 7)
when the domestic construction business slumped.

It has been particularly active in energy equipment, with products used in oilfield construction and development, and diesel engines that power remote drilling and production facilities.

More importantly, the company does more than half its business overseas, where its construction equipment is a basic need of developing countries. Last year, 56.6 percent of Caterpillar's record \$15 billion sales came from overseas.

John McGinty, an analyst at First Boston, estimated that demand for Caterpillar products overseas has dropped as much as 25 percent in the 1982 first half.

Stocks Reduced

Similarly, demand for Cat equipment in oilfields has slumped as sagging oil and gas prices have forced oil companies to shrink their development budgets and oil-rich countries to scale back their modernization plans, cutting demand for Caterpillar earthmovers.

Mr. Morgan said, "We don't

have some offsetting geographical areas or product application areas that have sort of propped up our business as they have in the past."

Caterpillar officials have been working hard to tailor costs to the lower sales levels. Capital expenditures for 1982, originally pegged at \$750 million, have been reduced to \$600 million and the company has also moved to reduce inventories.

But Caterpillar's most visible cuts have come in its employment rolls.

In February, the company had only about 3,000 employees on indefinite layoff; subsequent layoffs, including the next round this fall, will put the total at 18,500 workers, most of them in Illinois, where Cat is the largest private employer.

Industry analysts give the company high marks for moving quickly to deal with its problems.

Mr. McGinty said, "They've done a magnificent job of cutting back on their costs, fixed and variable, and done an extremely good job of avoiding losses."

"Most companies with that kind of drop in demand would be losing money."

Analysts believe that Cater-

lar's lackluster \$9.7 million, 11-cent-a-share profit in the second quarter, a 94 percent drop from the year-ago quarter, is not indicative of future earnings, even though per share earnings this year will drop to about \$1.50 from last year's record \$6.44.

Eli Lustgarten, an analyst at Paine Webber, who is predicting 1983 profits of \$4.50 a share, said, "Cost-cutting and other things will make things look better in the second half."

Mr. McGinty said, "They could recover to \$3 or \$4 in 1983 without a big change in demand."

Mr. Morgan is confident that Caterpillar will come back strongly once interest rates subside and the world economy improves.

He said, "I remain optimistic about the fundamental needs which our company's products serve: energy, transportation, food and water, industrial development and things of that kind."

Even if the markets do not come back for years, Mr. Morgan said, Caterpillar could keep operating profitably, although it eventually might have to make some permanent cuts in its size.

This announcement appears as a matter of record only

U.S. \$35,000,000

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SPORTS

Hinault Captures Tour de France But Gains Few Friends En Route

By Samuel Abo

New York Times Service
PARIS — Bernard Hinault easily won the Tour de France here Sunday, his fourth victory in five years of competition in the world's most prestigious bicycle endurance race, and answered complaints that he was riding colorlessly by also capturing the final stage in a sprint finish.

The overall triumph by the 27-year-old Frenchman had been virtually certain since he took the lead on July 14, so certain that he has been criticized since then for a lack of panache — the flair needed to enliven what has generally been a dull race.

On Sunday morning, the *Journal du Dimanche*, a leading newspaper, asked why Hinault had not displayed panache, "the red cherry atop the mountain of whipped cream." Hinault responded by zooming into the lead in the final 100 yards on the Champs-Elysées and holding off the rest of the pack, all furiously seeking the last victory possible after Daniel Williams of Belgium won the penultimate stage on Saturday.

Afterward, still breathless, Hinault was asked if he had won for the sake of panache. Predictably, he denied it. "I won because I didn't have the right to lose," he said.

Hinault, who races for the Renault Gitan team, finished in an overall elapsed time of 92 hours 8 minutes 46 seconds since the 2,188-mile contest (3,500 kilometers) began July 2. Of the 169 riders who set out from Basel, Switzerland, 125 made it here.

Second in the overall finish, 6 minutes 21 seconds behind, was Joop Zoetemelk, a 36-year-old Dutchman with the Coop Mercier team. This was the sixth time Zoetemelk has finished second in the Tour de France, including three times behind Hinault. Zoetemelk also took July 2. Of the 169 riders who set out from Basel, Switzerland, 125 made it here.

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Third in the standings, 9 minutes 7 seconds behind Hinault, was Johan van der Velde, a Dutchman with the Ralston team. Peter Wimmen, a Dutchman with the Capri Sonne team, was fourth and Phil Anderson, an Australian with the Pengo team, was fifth.

Among other honors gained in this 69th Tour de France, Sean Kelly, an Irishman with the Sem Loire team, won the points championship and the sprint competition. Bernard Vallet, a Frenchman with La Redoute, took the mountain climbers' championship, and Anderson was the top-rated racer under the age of 24.

Anderson led the race for the first week and a half, all across fine terrain, as Hinault stayed close behind. His team's strategy was to avoid the early pressure of having to defend the lead against the 16 other teams.

On July 14, not far from his native Brittany, Hinault made his move. He far-outdistanced Anderson in an individual time trial and moved into first place just before a week in the Pyrenees and the Alps, where most riders falter. While his competition thinned out in the mountains, Hinault consolidated his overall winning margin.

\$20,000 Stash

Victory brought him the major prize, a vacation studio worth about \$20,000 — in the tour's total budget of about \$350,000, most of which was distributed daily to each stage's leading riders and teams. These rewards maintain interest among those racers whose overall elapsed times put them so far behind the public and the press.

His anger has been evident the last few seasons, but not publicly expressed.

"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, despite Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rival, a shame for him because he would



Bernard Hinault

legendary Fausto Coppi by capturing in the same year both the Tour de France and the Tour of Italy, known as the Giro. Coppi did this in 1949 and 1952, Anquetil in 1964 and Merckx in 1970, 1972 and 1974. An easy victory in Italy in June, Hinault also tried for the double in 1980 after winning the Giro, but strain and cold, rainy weather caused tendinitis and forced him to quit the Tour de France at the halfway point.

This year there was no problem with the weather, which has been hot and sunny, and Hinault had no difficulty winning the race in which he was the overwhelming favorite. "Only Hinault can beat Hinault," people said at the start in Basel.

Knowing How to Suffer

Instead he constantly demonstrated his strength, speed and ability to bear physical pain.

"Knowing how to suffer," the riders put it. He finished fifth in the points competition, fifth in the sprint competition and fourth in the climbers' standings. Of the tour's 21 stages — another was canceled by a steelworkers' protest over unemployment — Hinault won four, twice that of any other rider. Three of his victories were in individual time trials. He knew that his winning margin there would be enough. For me, that's pretty smart."

And then there is the school of thought exemplified by Gerrie Kniesteman, the Dutch rider who beat Hinault once in a time trial this year. "The French don't like winners," Kniesteman has said. "It won't take Hinault long to become unpopular — just let him win one or two more Tours de France."

Kniesteman spoke in 1980 and since then Hinault has indeed won the Tour de France two more times.

The Badger

Hinault himself remains unpenitent — his nickname, The Badger, was given to him a few years ago by an opponent, Yves Hizard, because of his tenacity.

"Don't you think you're making yourself unpopular with these outbursts?" Hinault was asked. "I don't care," he answered. "I compete to win races, not to please."

To charges before Sunday's finish that he had not shown panache, he responded: "What good are legends? What good does it do if I win by 10 or 15 minutes instead of by six. The climbers, yesterday's champions, they had panache. But I race to last, not to finish broken. If I can do it, I do it, but I'm not going to kill myself. I'm not suicidal."

"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, despite Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rival, a shame for him because he would

also said, "but that's not enough to win. You also need character and stubbornness. I always remember that I tried four times to win the world championship, and failed, before I could succeed. What makes me go is that I understand myself."

"I'm a winner — everybody knows that. But I also know how to lose. Accepting defeat is a kind of wisdom."

Hinault has been evident the last few seasons, but not publicly expressed.

"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, despite Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rival, a shame for him because he would

also said, "but that's not enough to win. You also need character and stubbornness. I always remember that I tried four times to win the world championship, and failed, before I could succeed. What makes me go is that I understand myself."

"I'm a winner — everybody knows that. But I also know how to lose. Accepting defeat is a kind of wisdom."

Major League Standings

Compiled by *Our Staff From Dispatches*

NATIONAL LEAGUE

East W L Pct. GB

Philadelphia 52 32 .611 1

St. Louis 52 32 .611 1

Pittsburgh 52 32 .611 1

Mets 52 32 .611 1

New York 52 32 .611 1

Chicago 52 32 .611 1

Atlanta 52 32 .611 1

Braves 52 32 .611 1

Cardinals 52 32 .611 1

Reds 52 32 .611 1

West W L Pct. GB

San Diego 52 32 .611 1

Los Angeles 52 32 .611 1

San Francisco 52 32 .611 1

Houston 52 32 .611 1

Cincinnati 52 32 .611 1

AMERICAN LEAGUE

East W L Pct. GB

Milwaukee 52 32 .611 1

Boston 52 32 .611 1

Baltimore 52 32 .611 1

New York 52 32 .611 1

Detroit 52 32 .611 1

Cleveland 52 32 .611 1

Toronto 52 32 .611 1

Calif. 52 32 .611 1

Kansas City 52 32 .611 1

Seattle 52 32 .611 1

Chicago 52 32 .611 1

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Minnesota 52 32 .611 1

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A Midsummer Night's Woody Allen

By Gary Arnold
Washington Post Service

NEW YORK — Looking rudely fit at 46 and clad in comfortably rumpled tan slacks and jacket, Woody Allen arrived straight from a dental appointment ("Everything's fine; just my regular oral prophylaxis").

Breaking a long silence, Allen had agreed to an interview before the recent opening of his new movie, "A Midsummer Night's Sex Comedy," a boudoir farce about three tickle turn-of-the-century couples. It depicts a weekend of infatuation and flirtation at the country residence of an amorous, whimsical inventor, played by Allen, and his shy, suspicious wife, played by Mary Steenburgen. The houseguests who join them in games of romantic hide-and-seek are José Ferrer, Mia Farrow, Tony Roberts and Julie Hagerty.

[Reviewers Janet Maslin of The New York Times and Sheila Benson of the Los Angeles Times gave the film mixed reviews. "Whatever Allen is doing in constructing this pretty, slight, gently entertaining movie, he isn't doing the thing he does best," Maslin wrote. She called it "a relatively minor addition to the body of his work," but added, "However, it's not to be ignored."]

[Benson termed it "a meltingly pretty but limp bit of piffle that is neither fish nor fowl, nor flesh, nor vintage Woody Allen." Though Allen "has veered away from the brackishness of 'Star-dust Memories' to a gentler vein," she said, "it is a vein without much in it."]

"Sex Comedy" is the 10th feature in a directing career that began 13 years ago with "Take the Money and Run." It also represents the first installment of a three-picture contract with Orion, the distribution company formed by Arthur Krim and Eric Pleskow, Allen's original executive mentors at United Artists. Allen has completed the second film of the deal, a comedy co-starring Farrow, scheduled for release at Christmas. He begins shooting soon on the third, also a comedy.

Excerpts from the interview:

Q: When did the idea of doing a stylized period comedy pop into your head?

A: Well, I had written another



piece. I thought I wanted to do a film about poignant relationships, a film about a guy who missed an opportunity and was haunted by the thought, and a girl who was about to throw in her lot with a much older man, not really the right one for her. The genesis was not a comedy but a kind of serious Chekhovian story, in the style of "Interiors" almost.

Then I started to think, God, it sort of cries out for a comic treatment — a group of people at a summer house on a weekend and the silvery moon in concert with the animals and flowers. Why not take a comic approach to it? Let the seriousness be a subplot. So I started to write it, and it worked very rapidly for me. I started to take delight in it.

Then I had two scripts on my hands. I had the original black-and-white, surrealistic comedy, and this, the pastoral romantic thing that needed soft, warm colors. I thought, I'll wait a year to

take maximum advantage of our scheduling, sit just sit and wait all the time for the sun to be in the right place at the right time of day, we could shoot other things for the black-and-white movie.

Q: You've chosen Mendelssohn's Wedding March as the main title theme for "A Midsummer Night's Sex Comedy." Should this be taken as confirmation of the rumor that you're getting married?

A: No, no.

Q: Wishful thinking?

A: I don't know. The oddest things are made up about me in the press. One thing was that I purchased a home on the beach, which is not true; that Mia Farrow and I were moving to Connecticut — this, is, of course, not true. That we got married, then that we were getting married. There was an item about the movie in Liz Smith's column that I was feuding with Orion when in fact I had just gone to lunch with Orion and we were talking about a new deal.

Q: Isn't it a contradictory perception of you been spreading in recent years? At one time you were depicted as the most celebrated reclusive in New York.

A: Uh-huh.

Q: Then we were led to believe that you were really a smoky, gregarious sort, always out on the town.

A: No, that I don't know — that image I don't know. What I still read is that I'm at Elaine's every night, but that's perfect relativity. That's the one restaurant in town where you can eat and people are not allowed to ask for autographs and photographers are not allowed into the place. That's the fun of eating at Elaine's. I'm only surrounded by the same 60 or 70 people that seem to eat there every night.

On the average day I get up and write or film or something. I come back home at night, get Mia, go up to Elaine's, have a bite to eat, and go to sleep early. I'm usually asleep by 11 or 11:30 every night. I see the same people I always have. I see Marshall Brickman. I see Mia, Diane Keaton, Tony Roberts sometimes, Michael Murphy sometimes, but that's about it. Things have not changed a great deal for me since I saw you last.

Q: Speaking of that occasion, which was right before the release of "Annie Hall," did you ever collect your Academy Awards?

A: Here's what I must say in defense of that film: I feel it was

misunderstood film. Now again, it may have been my problem that I just didn't have the skill to make it clearly understood. A certain amount of people understood it, so I always felt down deep that I had made it clear at least to some people. But I'll admit a lot of people saw that film and came away thinking, well, this is a film where Woody Allen is saying, I hate my fans, they're dumb and they're grasping and they're gross-looking.

Now, of course, there's nothing further from the truth. I don't feel that way. I don't have that many fans, and they're not grasping.

What I wanted to do there was make a film about a totally fictional character, a guy who had all the outer trappings of success — a penthouse, a limousine, a chauffeur, fame, an entourage, all of that — and yet, he was having a breakdown, he was completely unhealthy.

Q: Separating the identities is an acute problem in your case?

A: Interestingly enough, this is a problem that the American public has had — not just the American public but the public in general — with their movie actors since the beginning of time. They think John Wayne or Humphrey Bogart is a kind of hard-hitting tough guy. For some reason people felt betrayed by me in that film. They put their faith in me, they thought they knew me from all those other films, and suddenly I turned on them. But I didn't turn on them. I was coming off a very good experience with "Manhattan." I had no bad feelings.



Allen and Farrow in "A Midsummer Night's Sex Comedy."

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LETTER FROM TOKYO

The World TV Champs

By Henry Scott Stokes
New York Times Service

TOKYO — Japan's Kabuki Theater is touring the United States and winning great applause. But here, where not one adult in 10 has seen the stars Utaemon or Tamashiro in the flesh or even visited the Kabuki, modern entertainment — namely, television — is the rage. The Japanese lead the world in the number of hours spent daily in front of the set.

The average family in Tokyo uses a television set for 8 hours, 12 minutes a day, compared with 6 hours, 44 minutes in the United States, according to a 1980 survey by the A.C. Nielsen Co.

"That puts Japan far ahead of any other country," said Mayumi Yoshimizu of the Japan Broadcasting Corp. (JBC). "TV fulfills a collective Japanese urge, to be all of a group together."

Kiawashi Sato, a media commentator, said, "Most Japanese are a collective activity that neatly fits the Japanese way of life. People return home ready to have supper at about 6:30 p.m. Unlike Americans, they rarely eat outside their homes, thanks to a frugal tradition, and they almost never invite friends for meals. Life in the evening centers on television."

Popular attractions include the main JBC news programs, baseball games on commercial channels in the summer, "home dramas" or soap operas, and samurai serials.

Programming quality is high on the JBC's Channels 1 and 3, the latter being the educational channel. The corporation's annual budget — \$1.08 billion in 1980 — is secured by a levy of \$3.50 a month per set on 30 million sets.

The commercial channels, struggling for advertising worth \$3.3 billion in 1980 — one-third of all advertising in Japan — tend to let standards slip in the battle for ratings. But protests from citizens' groups over violence in children's cartoon movies and sex in programs after 11 p.m. have met with little response.

The public channels have the advantage of not having to compete in the ratings fight. The JBC occasionally devotes a multimillion-dollar budget to a special program, with no thought of sponsors, likely ratings impact or eventual return on investment.

William Safire is on vacation. His column "On Language" will resume when he returns.

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